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**COUNTY OF LOS ANGELES
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TO: Supervisor Michael D. Antonovich, Mayor
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FROM: J. Tyler McCauley
Auditor-Controller

SUBJECT: **DEPARTMENT OF PARKS AND RECREATION - FISCAL PHASE I AND
PHASE II STATUS REPORT**

On February 6, 2001, your Board requested a status on the 20 recommendations contained in our Phase I and II fiscal reviews of the Department of Parks and Recreation (DPR) that were still in the process of implementation as of January 6, 2001.

Approach

Through reviews of documentation and interviews with DPR staff and management, we determined the current status of the 20 recommendations. The recommendations originated from our Fiscal – Phase I and Fiscal – Phase II reports issued on May 3, 2000 and September 6, 2000 respectively. The recommendations addressed general accounting, procurement and payment practices, contracting, warehousing and fixed assets/portable equipment, payroll/personnel, and the Internal Control Certification Program.

Status of Recommendations

Of the 20 outstanding recommendations, 16 (80%) are implemented and four (20%) are in the process of being implemented.

General Accounting

Our Phase I audit recommended that DPR management and the Chief Administrative Office (CAO) re-evaluate the individual components of the Department's budget to ensure that they represent the best estimate of expected results. We met with a

representative from the CAO, who confirmed that the Department worked closely with their office to develop the Fiscal Year (FY) 2001-02 proposed budget. The CAO, working with DPR, analyzed current operating trends and actual versus budgeted figures for prior years to develop the proposed budget.

In addition, we recommended that the Department budget revenue in categories consistent with the actual revenue postings in the accounting records. For example, the Department receives approximately \$4 million in revenue each year from the Department of Public Works (DPW), which was budgeted under other financing source revenue, but posted to planning and engineering services revenue. We verified that the Department budgeted revenue received from DPW in the planning and engineering services category in the FY 2001-02 budget. Also, the CAO provided DPR with a list of revenue sources from the State Controller's Accounting Standards and Procedures Manual. In addition, together with the CAO, DPR analyzed the types of revenue the Department receives and where the revenue should be posted in the accounting records.

The audit also recommended that DPR management separate the responsibility for its budgeting and accounting functions. As part of its FY 2001-2002 proposed budget, DPR requested additional funding in order to separate its budgeting and accounting functions, but the CAO denied the Department's request. However, DPR has hired a Chief Deputy who will provide an additional layer of accountability over the Department's fiscal operations.

Finally, we recommended that DPR management establish procedures to periodically monitor commitments throughout the year so they may be reduced, or cancelled as appropriate. To address this recommendation, the Department issued procedures requiring the Accounting Section to perform a quarterly review of all commitments to determine if they should be cancelled or reduced. We reviewed the results from the September 2000 through December 2000 quarterly review and noted that the Department cancelled \$182,000 in outstanding commitments.

We consider the four recommendations related to General Accounting to be implemented.

Procurement and Payment Practices

The audit included seven recommendations to improve the Department's procurement and payment process. Specifically, the recommendations focused on ensuring that purchases are made from the appropriate agreement or non-agreement vendors and that price quotes are consistently obtained and documented. Furthermore, these recommendations included matching invoices to packing slips, agreement terms, and purchase orders (POs) and ensuring that personnel who order goods/services do not receive the goods/services and certify quantities.

DPR developed guidelines and procedures requiring purchases to be reviewed thoroughly to ensure compliance with the recommendations. These guidelines and procedures have been communicated to all affected staff and reiterated at monthly procurement staff meetings.

We sampled ten purchase order payments to determine if staff complies with the procedures and did not find any exceptions. To ensure staff continues to comply, DPR will begin performing quarterly reviews of procurement and payment practices in July 2001.

The audit also recommended that DPR perform a documented review of the County-wide Accounting and Purchasing System's (CAPS) suspense file at least bi-weekly to identify and resolve transactions in suspense for extended periods. We reviewed the Department's suspense listings for March 2001 and verified that the Department reviews the suspense file bi-weekly and takes action to resolve old transactions. As of the date of our review, the suspense file did not contain any transactions older than one week.

We consider the eight recommendations related to procurement and payment practices to be implemented.

Contracting

The audit recommended that standard language be developed for all Board Letters disclosing the potential for exceeding the maximum contract amount and requesting authority to make additional payments up to a specified amount without notifying the Board. In addition, we recommended that contract payments be monitored to ensure the Department obtains Board approval before paying additional compensation that exceeds this threshold.

To address these recommendations, DPR developed a Board letter template that contains standard language disclosing the potential for exceeding the contract amount and requesting authority to make additional payments up to 10% of the contract amount. Furthermore, the Accounting Section maintains a contract payment log with year-to-date balances to identify contracts approaching the maximum contract amount. The Accounting Section notifies the Contracts Section of all contracts approaching this threshold so DPR's Director can request Board approval to amend the contract amount. We reviewed the Accounting Section's log and noted two contracts that were close to exceeding their limits. We verified that the Contracts Section was aware of these two contracts and that the Department was in the process of requesting an increase to the contract amounts.

The audit also recommended that DPR seek County Counsel assistance to ensure that all required County clauses are included in the Summer Food Service Program (SFSP) contract. In response, DPR consulted with County Counsel, developed a checklist of standard contract provisions, and instructed the Contracts Division to incorporate the

specific clauses cited in our audit into the SFSP contract. In addition, DPR established procedures to notify the Assistant Directors each time there is a change to the standard contract provisions.

We consider the three recommendations related to contracting to be implemented.

Warehousing and Fixed Assets/Portable Equipment

The audit recommended that DPR upgrade the current version of its perpetual inventory software or obtain computer software that is compatible with the Department's warehouse computers. The Department believes that the most effective way to implement this recommendation is by using a central database system. This system would include a complete accounting system, including a warehouse inventory module. DPR has provided the Chief Information Officer with details of this system in its "Business Automation Plan" and requested funds for software, installation, and training costs in its FY 2001-02 budget. If the Department does not receive approval for this system, it will purchase an off-the-shelf accounting/inventory package that it has already selected. The target date for updating the current inventory system is August 2001.

The audit also recommended the procedures that staff should follow when conducting portable equipment and fixed asset inventories (e.g., investigate missing items, ensure fixed assets bear County tags, etc.). To address this issue, the Management Services Section compared prior fixed asset listings to new listings submitted by the field locations, followed-up on discrepancies, and initiated paperwork to the Auditor-Controller's (A-C) Fixed Asset Section to update the inventory listings.

In addition, a memo was issued to all Assistant Directors making them accountable for maintaining and monitoring fixed assets and portable equipment under their control. It also instructed the Assistant Directors to update their respective Agency's fixed asset and portable equipment listings by May 31, 2001. The Management Services Section will perform unannounced site visits and reviews throughout the Department beginning in June 2001 to ensure that fixed asset and portable equipment listings have been properly updated. Subsequent to each visit, the appropriate Assistant Director and Regional Operations Manager will be provided with a memo on the findings. The Management Services Section will conduct follow-ups as part of the Department's Internal Control Certification Program. However, if problems persist at a particular facility, follow-ups will be conducted every 60 days until the problems are corrected.

We consider the two recommendations related to warehousing and fixed assets/portable equipment to be in progress.

Payroll/Personnel

We recommended that DPR establish procedures and monitor to ensure bonus transactions are entered into County-Wide Timekeeping and Payroll/Personnel System (CWTAPPS) by the A-C deadlines. The Personnel Section was provided with a

schedule of A-C deadlines and now documents the reasons for any late date entry. We sampled 15 bonuses and found seven (47%) were entered late. On average, these seven bonuses were entered 14 days late. This is a significant improvement over the average of 34 days late reported in the initial audit.

The audit also recommended that processing centers be used to prevent staff's access to their own payroll/personnel information on CWTAPPS. The Department established an additional processing center so that Payroll Section staff can no longer access their own information in CWTAPPS. With respect to Personnel Section staff, an employee that does not have the ability to change information on CWTAPPS will perform a monthly review of all pertinent personnel screens (e.g., bonus, job change, etc.) to determine whether any changes were made. If a change was made, the employee will verify that the change was properly authorized.

We consider the recommendation related to the timeliness of entering bonus data to be in progress and the recommendation related to processing centers to be implemented.

Internal Control Certification Program

The audit recommended that DPR actively monitor, on an on-going basis, the Department's compliance with required fiscal controls to identify problem areas and initiate corrective actions. In response, DPR issued guidelines requiring the Management Services Section to perform at least one follow-up visit for each assessable unit audited as part of its biennial Internal Control Certification Program (ICCP) review. The purpose of these visits is to ensure that the corrective action plans have been implemented. If weaknesses persist, additional improvements will be proposed and another follow-up visit will be performed within 60 days. Subsequent to each follow-up visit, the appropriate Assistant Director and Regional Operations Manager will be provided with a report on the results of the review. Since the Department's ICCP reviews are not due until May 2001, the Department will begin follow-up visits in July 2001. We consider this recommendation to be in progress.

Conclusion

DPR has implemented 16 (80%) of the 20 outstanding recommendations from the Fiscal – Phase I and Fiscal – Phase II reports. The remaining four (20%) recommendations are targeted for implementation by August 31, 2001. Attached is a summary of the 20 recommendations along with their current status.

If you have any questions regarding this report, please contact me or have your staff contact Pat McMahon at (213) 974-0301 or DeWitt Roberts at (213) 893-0973.

JTM:PM:DR

Attachment

c: David E. Janssen, Chief Administrative Office
Department of Parks and Recreation

Rodney Cooper, Director

Michael H. Smith, Chief Deputy

Lloyd W. Pellman, County Counsel

Violet Varona-Lukens, Executive Office

Public Information Office

Audit Committee

**Department of Parks and Recreation
Fiscal Phase I and II Status Report
Recommendation Statuses**

General Accounting

1. DPR management and the CAO re-evaluate the individual components of the Department's budget to ensure that they represent the best estimate of expected results, based upon past experience and current operating trends. (Phase I - #1) **IMPLEMENTED**
2. DPR management separate the responsibility for its budgeting and accounting functions. (Phase I - #2) **IMPLEMENTED**
3. DPR management budget revenue in categories consistent with the actual revenue postings in the accounting records. (Phase I - #6) **IMPLEMENTED**
4. DPR management establish procedures to periodically monitor commitments throughout the year so they may be reduced, or cancelled as appropriate. (Phase I - #8) **IMPLEMENTED**

Procurement and Payment Practices

5. DPR ensure agreement items are not purchased from non-agreement vendors. (Phase II - #2) **IMPLEMENTED**
6. DPR ensure price quotes are obtained in accordance with the Internal Services Department's purchasing guidelines and that all relevant quote solicitation information is documented. (Phase II - #3) **IMPLEMENTED**
7. DPR ensure Procurement staff matches invoices to agreement terms prior to approving vendor invoices for payment. (Phase II - #5) **IMPLEMENTED**
8. DPR ensure Procurement staff uses non-agreement solicitations when purchasing items not covered by a vendor agreement. (Phase II - #6) **IMPLEMENTED**
9. DPR reinforce to field staff the importance of providing Accounts Payable with packing slips. (Phase II - #7) **IMPLEMENTED**
10. DPR require Accounts Payable staff to consistently match invoices to packing slips and purchase orders prior to initiating payments to vendors and only pay for items actually ordered and received. (Phase II - #8) **IMPLEMENTED**
11. DPR ensure that personnel who order goods/services do not receive the goods/services and certify quantities. (Phase II - #10) **IMPLEMENTED**

12. DPR perform a documented review of suspense at least bi-weekly to identify and resolve transactions in suspense for extended periods. (Phase II - #13) **IMPLEMENTED**

Contracting

13. DPR ensure all Board letters, where applicable, disclose to the Board the potential for additional contract payments in excess of the stated contract amounts, and request authority to make additional payments up to a specified amount without notifying the Board. (Phase II - #16) **IMPLEMENTED**
14. DPR monitor contract payments to ensure it obtains Board approval to pay additional compensation that exceeds this threshold. (Phase II - #17) **IMPLEMENTED**
15. DPR seek County Counsel assistance in ensuring that all required County clauses are included in the SFSP contracts. (Phase II - #20) **IMPLEMENTED**

Warehousing and Fixed Assets/Portable Equipment

16. DPR upgrade the current version of its perpetual inventory software or obtain computer software that is compatible with the Department's warehouse computers. (Phase II - #21) **IN PROGRESS**
17. DPR ensure that staff, in conducting portable equipment and fixed asset inventories, accounts for all items recorded on the portable equipment and fixed asset listings; investigates missing items; ensures fixed assets bear County property tags; annotates changes due to property transfers, theft or loss; and updates the lists for items found, but not previously recorded. (Phase II - #22) **IN PROGRESS**

Payroll/Personnel

18. DPR establish procedures and monitor to ensure bonus transactions are entered into CWTAPPS by the Auditor-Controller deadlines. (Phase II - #29) **IN PROGRESS**
19. DPR use processing centers to prevent staff's access to their own payroll/personnel information on CWTAPPS. (Phase II - #41) **IMPLEMENTED**

Internal Control Certification Program

20. DPR actively monitor, on an on-going basis, the Department's compliance with required fiscal controls to identify problem areas and initiate corrective actions. (Phase II - #1) **IN PROGRESS**